

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO Equity Linked Corporate Bond ETF (ZEL) (the “ETF”)

For the six-month period ended June 30, 2016 (the “Period”)

Manager: BMO Asset Management Inc. (the “Manager” and “portfolio manager”)

Management Discussion of Fund Performance

Results of Operations

The ETF returned 5.21% versus the FTSE TMX Canada Mid Term Corporate Bond Index (the “Index”) return of 4.71%. The change in total net asset value during the Period from approximately \$6 million to approximately \$4 million had no impact to the performance of the ETF.

Market Conditions

During the Period, Canadian fixed income markets were up, mostly as a result of heightened uncertainty. Since January, the Bank of Canada maintained a “wait-and-see” bias and indicated that financial conditions were improving while oil prices rebounded. However, with macroeconomic challenges in Europe and China plaguing global markets, the Canadian economy remained sluggish. In the U.S., the U.S. Federal Reserve Board (the “Fed”) was eager to continue to raise interest rates, but, with weakening employment growth in June and global financial risk around the “Brexit” referendum vote (the U.K.’s departure from the European Union), the Fed’s policy interest rate remained on hold.

Over the Period, Canadian bonds returned approximately 4%, as measured by the FTSE TMX Canada Universe Bond Index. Canadian bonds posted positive returns across all maturities and sectors, however, bonds with long-dated maturities generated higher total returns than short-dated bonds. Specifically, long-term bonds (10+ years) returned approximately 8%, with short-term bonds (1 to 5 years) returning approximately 1%. Mid-term bonds (5 to 10 years) returned approximately 4%. From a sector perspective, provincial bonds posted the highest returns at

approximately 5%, followed by corporate bonds at approximately 4% and Government of Canada bonds at approximately 3%.

The ETF’s exposure to shorter dated bonds detracted from its performance over the Period, as did its allocations in the Financials and Infrastructure sectors. The ETF’s holdings in corporate A-rated bonds also detracted from performance as they underperformed other credit segments. Contributing to the ETF’s performance, from a sector perspective, were holdings in the corporate Communications and Industrials sectors. BBB-rated corporate bonds also contributed to the ETF’s performance as they outperformed other segments, returning 5.13%. The portfolio’s option overlay strategy contributed to performance as Canadian equities performed well over the Period.

Recent Developments

The U.K.’s decision to leave the European Union dominated headlines for the Period. The Brexit vote increased volatility, globally, leading investors to take risk off the table and allocate out of equities and into bonds. Brexit and poor economic data out of the U.S. has shifted the expectations of the Fed’s interest rate policy. To start the year, between two and four interest rate hikes were forecasted by the market. This volatility and uncertainty has lowered expectations of another interest rate hike for 2016. The portfolio manager expects bonds to rally, while the markets remain hesitant to adding risk. The Bank of Canada has maintained interest rate stability and looks to continue this stance, exposing the portfolio to possible underperformance due to its shorter duration positioning, relative to the Canadian bond universe. The portfolio should outperform shorter duration funds, as longer term bonds should outperform during this period of interest rate stability. Credit spreads look to

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual or annual financial statements of the ETF. If the semi-annual financial statements of the ETF do not accompany the mailing of this report, you may obtain a copy of the semi-annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by writing to us at 250 Yonge Street, 9th Floor, Toronto, Ontario, M5B 2M8 or by visiting our website at www.bmo.com/etflegal or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the ETF’s proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.



Exchange Traded Funds

BMO Equity Linked Corporate Bond ETF

remain stable, even tightening slightly, which should contribute to performance over the next period. The portfolio's exposure to Canadian equities should provide significant upside to the portfolio.

Related Party Transactions

The Manager, an indirect, wholly-owned subsidiary of Bank of Montreal ("BMO"), is the portfolio manager, trustee and promoter of the ETF. From time to time, the Manager may, on behalf of the ETF, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Manager (each a "Related Party"). The purpose of this section is to provide a brief description of any transactions involving the ETF and a Related Party.

Designated Broker

The Manager has entered into an agreement with BMO Nesbitt Burns Inc., an affiliate of the Manager, to act as designated broker and dealer for distribution of BMO exchange traded funds, on terms and conditions that are comparable to arm's length agreements in the exchange traded funds industry. The material terms and conditions of the agreement have been disclosed in the ETF's prospectus.

The Manager has also entered into agreements with other major dealers in Canada to act as dealers for the creation and redemption of units of BMO exchange traded funds.

Buying and Selling Securities

Investments in Bank of Montreal Debt Securities in the Secondary Market, Related-Party Underwritings, Trading as Principal

During the Period, the Manager relied on an approval and standing instruction provided by the ETF's Independent Review Committee ("IRC") with respect to the following related party transactions:

- (a) investments in common shares or preferred shares of BMO, an affiliate of the Manager;
- (b) investments in a class of non-government debt securities and/or equity securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, acted as an underwriter in the distribution; and
- (c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc. who is trading with the ETF as principal (each, a "Related Party Transaction").

In accordance with the IRC's approval and standing instruction, in making a decision to cause the ETF to make a Related Party Transaction, the Manager, as manager and portfolio manager of the ETF, is required to comply with the Manager's written policies and procedures governing the Related Party Transaction and report periodically to the IRC, describing each instance that the Manager relied on the approval and standing instruction and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure the Related Party Transaction (i) is made free from any influence of BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc. and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc., (ii) represents the business judgment of the Manager, uninfluenced by considerations other than the best interests of the ETF, and (iii) achieves a fair and reasonable result for the ETF.

Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the ETF. The Manager monitors and evaluates the ETF's performance, manages the portfolio and provides certain administrative services required by the ETF. As compensation for its services, the Manager is entitled to receive a management fee payable quarterly and calculated based on the daily net asset value of the ETF at the maximum annual rate set out in the table below.

The following table shows the allocation of management fees.

Ticker	Maximum Annual Management Fee Rate %	As a Percentage of Management Fees	
		Distribution ⁽¹⁾ %	Other ⁽²⁾ %
ZEL	0.40	72.2	27.8

⁽¹⁾ Distribution expenses include filing and listing fees.

⁽²⁾ Other includes all costs related to general administration, advertising and marketing, and profit.

Brokerage Commissions

The ETF pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the Manager, for executing a portion of its trades. The brokerage commissions charged to the ETF (excluding exchange and other fees) during the periods were as follows:

	2016	2015
Total brokerage commissions	\$ 1,150	5,770
Total brokerage commissions paid to related parties	\$ 190	2,188

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Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the periods indicated.

The ETF's Net Assets per Unit⁽¹⁾

	Period ended Jun. 30, 2016	Financial years ended Dec. 31	
		2015	2014 ⁽⁴⁾
Net assets, beginning of period	\$ 19.63	20.02	20.00
Increase (decrease) from operations			
Total revenue	\$ 0.32	0.65	0.10
Total expenses	\$ (0.04)	(0.08)	(0.04)
Realized gains (losses) for the period	\$ (0.45)	(0.46)	(0.03)
Unrealized gains (losses) for the period	\$ 1.12	(0.28)	0.04
Total increase (decrease) from operations⁽²⁾	\$ 0.95	(0.17)	0.07
Distributions			
From income (excluding dividends)	\$ 0.09	0.24	0.04
From dividends	\$ —	—	—
From capital gains	\$ —	0.00	—
Return of capital	\$ —	0.02	0.01
Total Annual Distributions⁽³⁾	\$ 0.09	0.26	0.05
Net assets, end of period	\$ 20.56	19.63	20.02

⁽¹⁾ This information is derived from the ETF's unaudited and audited financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

⁽³⁾ Distributions were either paid in cash or reinvested in additional units of the ETF, or both. The allocation of the distributions from each of income, dividends, capital gains and return of capital is based on the Manager's estimate as at June 30 of the period shown, which is the ETF's semi-annual period end. However, actual allocation of distributions is determined as at December 15, the ETF's tax year-end. Accordingly, the actual allocation among income, dividends, capital gains and return of capital may differ from these estimates.

⁽⁴⁾ The information shown this column is for the period beginning November 3, 2014 (the ETF's establishment date) and ending December 31, 2014.

Ratios and Supplemental Data

	Period ended Jun. 30, 2016	Financial years ended Dec. 31	
		2015	2014 ⁽³⁾
Total net asset value (000's) ⁽¹⁾	\$ 4,112	5,889	6,005
Number of units outstanding (000's) ⁽¹⁾	200	300	300
Management expense ratio ⁽²⁾	% 0.48	0.47	0.47
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.48	0.47	0.51
Trading expense ratio ⁽³⁾	% 0.05	0.13	0.92
Portfolio turnover rate ⁽⁴⁾	% 1.74	6.27	4.15
Net asset value per unit	\$ 20.56	19.63	20.02
Closing market price	\$ 20.53	19.60	19.91

⁽¹⁾ This information is provided as at June 30 or December 31 of the period shown, as applicable.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The ETF's portfolio turnover rate indicates how actively the ETF's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher an ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.

⁽³⁾ The information shown this column is for the period beginning November 3, 2014 (the ETF's establishment date) and ending December 31, 2014.

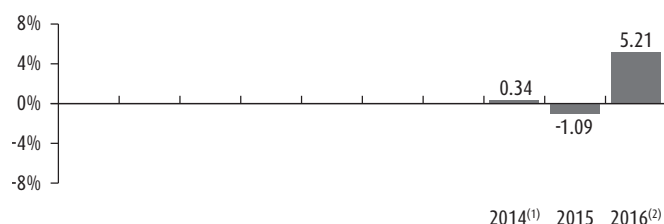
Past Performance

The ETF's performance information assumes that all distributions made by the ETF in the periods shown were used to purchase additional units of the ETF and is based on the net asset value of the ETF.

The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember that how the ETF has performed in the past does not indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the performance for the ETF for each of the financial years shown and for the six-month period ended June 30, 2016. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.



⁽¹⁾ Return from November 5, 2014 to December 31, 2014

⁽²⁾ For the six-month period ended June 30, 2016

BMO Equity Linked Corporate Bond ETF

Summary of Investment Portfolio

As at June 30, 2016

Portfolio Allocation	% of Net Asset Value
Corporate Bonds	94.6
Equity Call Options	4.2
Cash/Receivables/Payables	1.2
Total Portfolio Allocation	100.0

Top 25 Holdings

	% of Net Asset Value
Sobeys Inc., Series 2013-2, Senior, Unsecured, Notes, Callable, 4.700% Aug 8, 2023	3.6
TELUS Corporation, Series CK, Unsecured, Notes, Callable, 3.350% Apr 1, 2024	3.5
Canadian Natural Resources Limited, Medium Term Notes, Senior, Unsecured, Callable, 3.550% Jun 3, 2024	2.9
Brookfield Asset Management Inc., Medium Term Notes, Senior, Unsecured, Callable, 5.040% Mar 8, 2024	2.8
Shaw Communications Inc., Senior, Unsecured, Notes, 4.350% Jan 31, 2024	2.7
Alimentation Couche-Tard Inc., Series 4, Senior, Unsecured, Notes, 4.214% Aug 21, 2020	2.6
Husky Energy Inc., Senior, Unsecured, Notes, Callable, 3.550% Mar 12, 2025	2.6
Cameco Corporation, Series G, Senior, Unsecured, Notes, Callable, 4.190% Jun 24, 2024	2.6
Ventas Canada Finance Ltd., Series B, Senior, Unsecured, Notes, Callable, 4.125% Sep 30, 2024	2.5
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 2.634% Nov 21, 2016	2.4
Caisse centrale Desjardins, Medium Term Deposit Notes, Senior, Unsecured, 2.281% Oct 17, 2016	2.4
WestJet Airlines Ltd., Senior, Unsecured, Notes, 3.287% Jul 23, 2019	2.2
TMX Group Ltd., Senior, Unsecured, Notes, Callable, 4.461% Oct 3, 2023	1.9
Rogers Communications, Inc., Medium Term Notes, Senior, Unsecured, Callable, 4.000% Mar 13, 2024	1.9
AltaLink, L.P., Series 2014-1, Medium Term Notes, Secured, 3.399% Jun 6, 2024	1.9
Rogers Communications, Inc., Senior, Unsecured, Notes, 5.340% Mar 22, 2021	1.8
Choice Properties Real Estate Investment Trust, Series B, Senior, Unsecured, Notes, Callable, 4.903% Jul 5, 2023	1.8
Bell Canada, Series M-29, Medium Term Notes, Senior, Unsecured, Callable, 4.700% Sep 11, 2023	1.8
Shaw Communications Inc., Senior, Unsecured, Notes, 5.500% Dec 7, 2020	1.8

Top 25 Holdings

	% of Net Asset Value
Brookfield Asset Management Inc., Medium Term Notes, Senior, Unsecured, 4.540% Mar 31, 2023	1.8
Union Gas Limited, Series 10, Medium Term Notes, Unsecured, Callable, 3.790% Jul 10, 2023	1.8
407 International Inc., Series 14-A1, Medium Term Notes, Senior, Secured, 3.350% May 16, 2024	1.8
Rogers Communications, Inc., Senior, Unsecured, Notes, 4.000% Jun 6, 2022	1.8
Greater Toronto Airports Authority, Series 2012-1, Medium Term Notes, Secured, Callable, 3.040% Sep 21, 2022	1.7
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, Callable, 3.690% Jul 19, 2023	1.7

Top Holdings as a Percentage of Total Net Asset Value **56.3**

Total Net Asset Value **\$4,112,022**

The summary of investment portfolio may change due to the ETF's ongoing portfolio transactions. Updates are available quarterly.

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest in and the risks detailed from time to time in the ETFs' prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the ETF, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Asset Management Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

BMO exchange traded funds are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.

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